

# agglomeration in the British television broadcasting industry: some explorations

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**Abstract.** This paper considers the processes supporting agglomeration in the British television broadcasting industry. It compares and contrasts the insights offered by the cultural turn in geography and more conventionally economic approaches. It finds that culture and institutions are fundamental to the constitution of production and exchange relationships and also that they solve fundamental economic problems of coordinating resources under conditions of uncertainty and limited information. Processes at a range of spatial scales are important, from highly local to global, and conventional economics casts some light on which firms are most active and successful.

## 1 Introduction

Economics has come under much criticism in recent years in economic geography, particularly where it has directly addressed questions of agglomeration, as in the works of Krugman (1991) and Porter (1990) (Martin, 1999; Martin and Sunley, 2003). Particular criticism has come from the ‘cultural turn’ in economic geography. However, Thrift (2000) sounds two notes of caution. Firstly, the field of economics has embraced models which include social and cultural dimensions, more so, he implies, than many economic geographers realise. Secondly, he is strongly against the idea of dismissing economics and the economic entirely. Economic forces are real and powerful and exert strong influence on the cultural realm. This paper is in the spirit of Thrift’s appraisal and will examine the reasons for agglomeration in the British television broadcasting industry, and assess the extent to which the ‘cultural turn’ in economic geography supersedes or complements more traditional economic approaches to explaining agglomeration.

The cultural industries have attracted attention due to the realisation that they are an important and fast-growing element of the economy (Pratt, 2000), and have become a key strand in urban regeneration and economic development strategies (Hesmondhalgh and Pratt, 2005). Almost since its inception, television has been a heavily regulated industry. Patterns of regulation and deregulation have exerted a powerful influence on the industry in the UK and elsewhere (Christophers, 2009; Pratt and Gornostaeva, 2009). Its current spatial structure bears the imprint of conscious management by the state, which laid down the regional structure of broadcasting in the UK by administrative fiat. Key changes ushered in by the Communications Act 2003 have altered the relationship between broadcasters and independent production

companies, shifting contracts from a cost-plus basis, with the broadcaster typically capturing the intellectual property rights, to one where production companies are paid less, but retain far more of their intellectual property. The act imposed an out-of-London quota for independent production commissions of 30% on the BBC and 50% on ITV—powerful testimony to the centripetal pull of London, once market forces exerted themselves following the deregulation introduced by the Broadcasting Act 1990. As Christophers (2009) demonstrates, the latest major shift in the spatial organisation of the industry, the move of five departments of the BBC to MediaCity, Salford, has little to do with agglomerative logic: rather, it is the outcome of a political process in which relations of power were strongly implicated. This, however, has not altered the fundamental processes supporting the high degree of agglomeration evidenced in the industry, which are examined in the paper.

The structure of the rest of the paper is in four sections. In the next section we critically evaluate the literature on the cultural turn and more economic perspectives that address spatial agglomeration, outlining the key propositions of each. The methodology is then detailed—a mixed-method design encompassing: two interview surveys of firms and stakeholders (totalling 75 subjects); and a postal questionnaire survey to 1500 firms. In the penultimate section we analyse these primary quantitative and qualitative databases, leading to presentation of the evidence on spatial agglomerations of the British television broadcasting industry. Finally, in the conclusion, we argue for the desirability of using both cultural and economic insights.

## **2 Conceptualising economic and cultural perspectives**

### **2.1 Economic accounts of industrial location**

Economics has a long history of contribution to the analysis of the location of economic activity (Marshall, 1927; Weber, 1929) and economists have found a renewed interest in the phenomenon of dense colocations of activity, work particularly associated with Krugman (1991) and Porter (1990). The majority of the literature acknowledges and builds on the classic insights of Marshall (1927) into the sources of superior performance in agglomerations ('industrial districts' in Marshall's terms): labour-market pooling; the emergence of specialised input suppliers; and technological spillovers. The work of Krugman, Porter, and economists more generally has been roundly criticised. In one trenchant critique, Martin (1999) suggests that the models developed by Krugman and others are too stylised and abstract and, although they may shed some light on genuine influences on spatial concentration, they say nothing new and they leave out much that is important. Moreover, the new economic geography is seen as being cavalier in its approach to the different spatial scales at which forces promoting agglomeration might operate and how these processes interact (Martin and Sunley, 2003).

Others have taken a more sanguine view of the usefulness of interdisciplinary work between geography and economics (Marchionni, 2004). Brakman and Garretsen (2003) echo many of Martin's criticisms, but do see avenues where rich research traditions in economics may inform the work of geographers in a *complementary* way: for example, the study of factor mobility, and the modelling of the process of competition. Some branches of institutional economics have been incorporated into the work of economic geographers such as transaction cost economics (Williamson, 1985) and evolutionary economics (Grabher, 2009; Nelson and Winter, 1982). As MacKinnon et al (2009) point out, evolutionary approaches both in economics and in economic geography share common core assumptions: the existence of variety; continuity in 'routines' leading to path dependence; and some selection mechanism. Nelson (1994) presents a nuanced assessment regarding this last. In some spheres, such as health and defence,

he acknowledges that cultural (and political) factors which shape professional judgments and practices are arguably more important in framing behaviour than are competitive pressures for economic efficiency.

Caves (2000) argues that many institutions in cultural industries solve fundamental problems of asymmetric information, a burgeoning field within economics. These problems are of two broad types: (a) a hidden-information problem exists where one party knows more than another about some important characteristic (eg, a person's ability to do a job); or (b) a hidden-actions problem, where one party may take actions which cannot (easily) be observed and which may hurt the interests of a counterparty (eg, a company may use cheap inputs in order to earn a higher margin under a production contract). The specific nature of the institutions which evolve to mitigate such problems will be, in part, culturally determined, but it is not a case of anything goes. The information problems are real and must be adapted to.

Economics has also made important contributions in one further relevant area of analysis; namely, the relationship between agglomerations and differential firm performance. The superior dynamism of regions depends in part on *particular* firms: it is a commonplace in the literatures of economics, strategy, and entrepreneurship that there are huge asymmetries in the growth and size distributions of firms. The resource-based view (Barney, 1991), which provides an important conceptual framework for explaining differential firm performance in the strategy, entrepreneurship, and international business literatures, is rooted in economics, particularly the seminal work of Penrose (1959). Moreover, contrary to the idea of generic knowledge spillovers, Klepper and Sleep (2005), working within an evolutionary framework, propose that more successful firms tend to produce higher numbers of spin-offs and that these spin-offs tend to be both more likely to survive and to grow due to the fact that they inherit valuable knowledge and routines from their parent. Thus the crucial knowledge flows are from parent firm to spin-off, rather than being generally available knowledge spillovers. This provides a further perspective on why some firms thrive more than others and also on why, given the propensity of spin-offs to set up in the same region as their parent, particular localities are unusually dynamic.

## 2.2. Cultural industries and the 'cultural turn'

There has been much debate regarding the relationship between economy and culture (Allen, 2002; Barnes, 2001; Castree, 2004; Crang, 1997; Gibson and Kong, 2005; Pryke and du Gay, 2007). Amin and Thrift (2004; 2007) have provided a useful characterisation of the central features of the cultural turn and its concomitant, the cultural turn's critique of economics and the value of economics within economic geography. They argue, persuasively, that economic activity is fundamentally rooted in cultural practices—a key point in Thrift and Olds's (1996) work, which is an important precursor of the cultural turn. Although it is true that in-depth explorations of these cultural underpinnings do not feature in much of mainstream economics, their contention that most economists would deny the validity of this insight or that they are striving to 'keep culture in its place' is more dubious. It would be fairer to claim that economists have yet to be persuaded that lack of detailed attention to culture undermines the insights they derive into their principal lines of enquiry (Williamson, 1994).

Amin and Thrift (2004; 2007) distil six broad features or 'registers' which characterise the diverse body of work falling within the ambit of the cultural turn. Firstly, passion, broadly understood, is a motivating force in economic activity. They suggest that the economic rationalist "would damp down passion" (2004, page xv).

However, economists do not make value judgments about the goals which individuals (or collectivities) seek to attain; rather, economic rationality is critical of means which are not well chosen to meet ends—either because they do so in an inefficient way, or because they have perverse consequences which are not intended. Secondly, moral values are seen as underpinning the achievement of collective goals in the economic system, part of which is providing a framework of acceptable behaviour. This has long been recognised in economics. The same Adam Smith who wrote *The Wealth of Nations* also wrote *The Theory of Moral Sentiments*, where precisely this point is asserted. It has been reasserted in the modern era by, among others, Nobel Laureates Arrow (1974) and Smith (2002). Thirdly, they emphasise the social anthropology of economic knowledge, encompassing learning and innovation, acknowledging that the importance of this register is well understood in what they class as heterodox economics. The fourth register is trust, which underpins economic exchange based on mutuality and reciprocity. However, much of both neoclassical economics and more heterodox new institutional economics has been concerned with examining the forms which exchange and economic organisation may take in situations where trust is absent, in whole or in part—a real and practical problem which may confront economic actors. Fifth comes evolution, including the importance of cultural influences in shaping trajectories of change—central in evolutionary (Nelson and Winter, 1982) and institutional economics (North, 1990). Sixth is power, more widely conceived in the cultural turn than in economics, extending from the various forms of power which any particular agent may have to broad structures of power in national and international social and political systems. This is valid: however, industrial economics has a more sophisticated understanding of how market power may be created and exploited than does geography.

According to DiMaggio (1994), culture relates to shared cognitions, values, norms, and expressive symbols. Another reading of culture is the way in which actors make sense of the world, including how they define their own identity, their common assumptions, and the value system which guides their actions (Barnett, 1998). One aspect of culture, the ability to create and sustain trust, has been widely credited as important both to efficient production and to innovation, allowing timely and effective sharing of information and mutual cooperation (Rantisi, 2004). As Ettlinger (2003) observes, the cultural foundations of trust operate at a very microlevel between individual agents. Firms do not trust each other; people do. Furthermore, Ettlinger makes a useful distinction between *emotive* trust, which is based on how one person feels about another (are they trustworthy), and *capacity* trust, which relates to an assessment of their competence to carry out specific tasks. One particular aspect of the cultural constitution of the economic relates to preferences (Callon et al, 2002), and is especially relevant to cultural industries where considerations of ‘taste’ loom large. The view that individual preferences are not taken as innate, but are socially formed and are modified through social interaction, is shared by institutional economists (Hodgson, 1994).

Amin and Thrift (2004) identify communities of practice as being important within the cultural turn. The irreducibly social nature of learning has been counterposed to the individual conception of knowledge typically employed within economics (Duguid, 2005). Communities provide a language with which problems can be articulated and solutions shared, and also provide access to social resources required for effective action (Wenger, 1998). In order to function, and to reproduce themselves, they need to have means of inculcating new members, establishing relationships between members and with others outside the community, interpreting situations, resolving conflicts, and working out solutions to new problems. Physical propinquity helps sustain the dense interactions which underpin the formation, practice, and reproduction of such communities.

In some cases, notably academic communities of practice, knowledge can circulate at global scale quite easily because it is embedded in common frames of reference. Likewise, global innovation systems link local communities of practice in global networks (Storper, 2008).

Martin and Sunley (2003) make three points which support the stance that we take in this paper in response to the work of Amin and Thrift (2004; 2007). Firstly, they identify that social, institutional, and cultural insights permeated economic geography over the 1990s, and therefore are not distinctive contributions of the cultural turn. Secondly, economic forces cannot be reduced to culture and they exert a powerful influence over all our lives. The intense interplay between the economic and cultural is also recognised in cultural studies, within which economic imperatives are taken seriously (Corner, 2009). Thirdly, they caution against an oversimplified characterisation of economics, because there has been considerable development of alternative perspectives within that field itself. Within cultural studies Throsby (2008) has also pointed out that there is not just a single economic approach to the analysis of cultural industries, but many, including industrial economics, value-chain analysis, location analysis, contract theory, property rights theory, trade theory, and development theory. Economics is a broad church and it is unduly simplistic to homogenise it.

As Pratt (2008) notes, there is a wide corpus of literature on the cultural industries, ranging from highly formalised economic analyses at one end of the spectrum, to the cultural turn literature on the other. This body of work includes film and television and has combined economic and cultural insights in providing an account of the spatial and economic organisation of the industry. This literature is significant, as one would expect cultural constitution to loom large in the cultural industries. Scott (2000; 2004a; 2004b) makes explicit reference to the advantage of agglomeration in reducing transaction costs in the sense of Williamson (1985) and, indeed, Scott makes explicit reference to the idea of relational contracting, introduced into institutional economics by Williamson, in describing hybrid forms of relationship between firms, spanning the range between pure market exchange and internal hierarchy. Scott also points to classic Marshallian externalities, inherent in deep labour pools, with highly specific investment in skills, a broad range of specialised suppliers of services and equipment, and knowledge spillovers supporting innovation. In particular in respect of specialised labour and specialised suppliers, the density of demand, providing assurance of high levels of usage, is of central importance. Scott is also careful to point out the institutional underpinnings of effective agglomerations, particularly the socialisation of labour and the fostering of appropriate cognitive frames of reference [echoing writing in a similar vein by Marshall (1927)] and also trade and craft associations. Power and Scott (2004), in an important recent volume, also underscore the interplay between the economic and the cultural.

In an important monograph of television in the UK and New Zealand, Christophers (2009) argues that neoclassical economic insights should not be rejected in their entirety. Following Garnham (1987), he argues that there are some fundamental economic characteristics of television which have long exerted a profound influence on the spatial and economic organisation of the industry. Demand for television programmes in terms of viewers tuning in is fairly stable and predictable, but very uncertain in terms of the popularity of new offerings. Large distributors are able to offset many barely commercial programmes against a relatively small number of hits, making major media companies important agents which organise financing, deal making, and distribution, due to their ability to pool risks. The second important economic characteristic is that once the costs of initial production have been incurred, the incremental costs of reproducing the output for further display, be it through broadcast

in other territories or via other media such as DVD, are very low. This creates a very strong imperative to seek additional markets, as even small incremental revenues represent almost pure profit. This is a powerful underpinning both of globalisation and of conglomeration as media companies, especially multinational media conglomerates, seek addition geographic and media markets. Similar growth strategies have also been manifest in independent production companies. The existence of these large economies of scale and scope in distribution is important and fosters agglomeration around large broadcasters (Ellison and Glaeser, 1997).

A third important economic aspect of television programmes is that they have important public good characteristics. They are nonrival in consumption, meaning that they are not used up by one person's consumption. They are also only partially excludable. This has long meant that broadcasters have sought to create artificial scarcity through their control of the distribution system. One of the ways in which the major broadcasters have been able to sustain a disproportionate share of revenues in the UK is through the creation of 'scarcity', through dominating peak-time viewing through superior programme offerings. In this regard, substantial outsourcing to independent producers is important. These companies are stimulated to innovate in order to secure commissions and also to provide a competitive spur to broadcasters' in-house production teams, particularly within the BBC's Window of Creative Competition (Christophers, 2009).

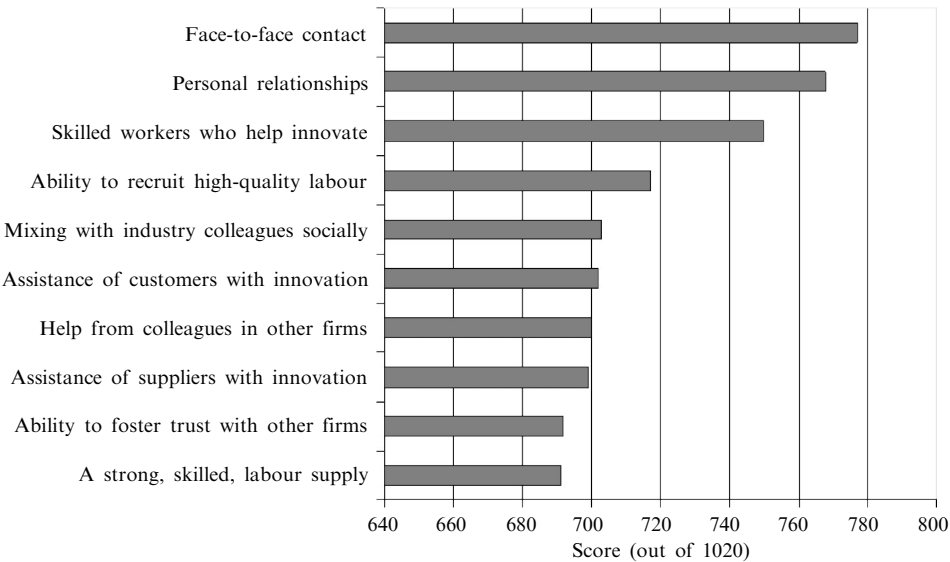
### 3 Methodology

The findings reported in this paper are based on two primary sources: (a) fifty-six semi-structured interviews conducted with firms in the British broadcasting, programme-production, postproduction, and equipment-manufacturing sectors, augmented by nineteen interviews with trade associations, policy makers, and industry analysts (undertaken in 2001, 2002, and 2005), lasting between one and two hours; and (b) a questionnaire survey conducted between January and April 2004, which sought to provide quantitative evidence regarding processes in the London agglomeration.

The questionnaire was subject to extensive pretesting and was mailed to a stratified random sample of 1500 companies drawn from a bespoke database built up from the FAME financial database and the *Broadcast Production Guide*, the leading industry trade directory. In all, 256 questionnaires were returned, of which 204 were fully complete and usable. Apart from a lower than proportional response from advertising firms, which are not the central focus of analysis here, there was no obvious evidence of nonresponse bias. The questionnaire, taken on its own, would be a blunt instrument with which to explore the processes underpinning the operation of the agglomeration. Nevertheless, it has the advantage of providing a measure, albeit crude, of the relative importance of various influences which have been proposed in the literature on location. Statistically significant differences were detected in the relative importance of these factors by location and line of activity. Such differences constitute a set of circumstances which require explanation and impose a degree of discipline on the qualitative evidence and its interpretation. In providing such an explanation, the richer information contained in the interviews is important.

### 4 Evidence from the British television broadcasting industry

Broadcasting is highly agglomerated, with much of the agglomeration being centred on London, where most aspects of film and television activity have location quotients well above 1, whereas the converse is generally true in the English regions and Scotland (Cook and Pandit, 2007). Figure 1 indicates the top-ten benefits of being located in London according to the questionnaire survey. Scores are based on a simple summation



**Figure 1.** Top 10 benefits of a London location.

of the Lickert-scale responses, ranging from 0 (not applicable) to 5 (very important). This leads to a maximum potential score of 1020 (204 replies  $\times$  5). In what follows, a number of  $\chi^2$ -tests of association are reported, based on the null hypothesis that the pattern of ratings, 1 to 5, recorded by different types of firm for a particular factor in the questionnaire are the same. Where this hypothesis is rejected, indicated by a  $p$ -value of 0.1 or less, the conclusion is that there is a statistically significant difference in the pattern of scores recorded.

**4.1 Key processes supporting agglomeration**

The ability to have face-to-face contact emerges as the single most important factor, closely followed by the ability to build and maintain personal relationships. Why should these two benefits be so important? Here the interview evidence is strong and consistent. Mainly, it is because cultural artefacts are being created which convey meaning, emotion, and information. Accordingly, it is of paramount importance that those engaged in their production understand the meaning which is to be conveyed. In order to come to that understanding, communication with the maximum ‘bandwidth’ is required: face-to-face contact. A network of personal contacts allows teams to be assembled quickly in order to carry out what, by most industry standards, is a short-term project, with the assurance that those engaged will be able to understand and produce what is required. Physical proximity in London promotes rich circuits of information about particular individuals which can be tapped into when assembling a team. These institutions help resolve economic problems of asymmetric information, both adverse selection (deciding who is able to do good work) and moral hazard (ensuring consummate cooperation and effort).

As Pratt and Gornostaeva (2009) argue, technological advance typically speeds up physical processes, but cannot speed up the deliberative processes involved in production of film and television. The limited impact of digitisation on location is ascribed in part to institutional rigidities and the abiding importance of face-to-face interaction (Gornostaeva and Pratt, 2006). Technology, social relations, and space are thus seen to be coconstitutive, with dependencies in the labour market being a particularly strong spatial anchor (Pratt et al, 2007). Sohonet, a very high-speed digital link

between companies in Soho, anchors parts of postproduction, particularly effects, to Soho. Interestingly, the high-speed digital link between Soho and Hollywood was viewed as being useful by interviewees in postproduction, but as a weak substitute for face-to-face interaction, meaning that travel between the two centres when working on common projects was still a *sine qua non*.

The advantage of physical proximity in promoting trust and cooperation with other companies was highly rated. Firms located in Soho, the kernel of the broadcasting agglomeration in central London, were significantly more likely to rate the ability to form relationships of trust and cooperation as an important advantage of their location [ $\chi^2(4) = 8.64$ ,  $p = 0.07$ ]. The ease of building and maintaining personal contacts was also more likely to be rated as an important advantage of location by firms based in Soho [ $\chi^2(3) = 7.37$ ,  $p = 0.07$ ]. In the development of the independent production and postproduction sectors, particularly following the Broadcasting Act 1990 which led to significant spin-outs both from the BBC and from ITV, such trust was based on the relationships which people had forged as colleagues within one of the major broadcasters, with several interviewees pointing to the importance of such personal networks, even years after they had left a particular broadcaster. As one respondent, who set up a successful spin-off from the BBC, put it: former colleagues within the BBC felt an assurance that he and his company would understand both the BBC ethos and the internal procedures of the BBC in a way which would allow business to run more smoothly. This capacity trust is also melded with emotive trust, either on the basis of a personal friendship or at least a credible reputation in the case of more casual acquaintanceships. Trust looms particularly large in the relationship between production and postproduction and provides an important part of the reason why they are almost always colocated. Handing over the 'rushes' (raw film or video) for postproduction is to entrust another with a valuable asset. To reduce uncertainty, people like to work with those whom they can trust to 'get it right'. Consistent with Ettlinger (2003), emotive and capacity trust appear to be connected as social mixing is an extension of work relationships in this industry. One important example is where a director and editor will typically end a day in the edit suite with a social drink. The emotive trust which this helps engender supports more effective performance, allowing a full and frank exchange of views to take place in the edit suite with a much lessened risk of giving lasting offence.

The path of production is sometimes smoothed by personal favours. A common scenario, often repeated during the course of the interviews, was when, for example, a cash-poor independent production company is able to agree a low 'special fee' from a postproduction company, or even have work on a demonstration reel processed free of charge, on the understanding that the favour would be returned at some time in the future by the paying of a premium fee. In the case of one postproduction company, space was provided free of charge at a rival company, on the understanding that the entrepreneur concerned would do work for the host on a *quid pro quo* basis if ever called upon to do so. This was a simple verbal agreement. Such behaviour has to be underpinned by trust, a system for establishing and maintaining reputations and norms of reciprocity.

The questionnaire evidence indicates knowledge spillovers are locationally specific within London. Firms in Soho are significantly more likely to rate this factor as important [ $\chi^2(4) = 9.50$ ,  $p = 0.05$ ]. One interpretation is that denser concentrations of firms will experience larger amounts of knowledge spillovers because of greater frequency of interaction. Firms in Soho and in central London were significantly more likely to cite meetings in the street among their three most important types of informal interaction (over seven times more likely to cite this if in Soho and four times more



likely to cite if in central London compared with firms outside those areas). Firms in Soho were also significantly more likely to evaluate the benefits to their business of such chance meetings as being highly important [ $\chi^2(4) = 8.91, p = 0.06$ ]. What these results indicate is that dense communication is important, and where and how that communication takes place is influenced in a fine-grained way by precisely where companies are located and what line of activity they are engaged in.

An important word used repeatedly in the interviews was 'community'. There are overlapping communities: a wider broadcasting community and a more specific community relating to a particular craft or profession to which an individual belongs—a particular community of practice. Access to the community is granted by certain rites of passage, typically a year or two doing menial work for little or no pay as a 'runner', during which commitment, competence, and attitude are assessed. This ensures appropriate socialisation, imbuing the individual with attitudes, norms of behaviour, and linguistic competence, as well as the formation of particular craft skills. Access to even these vacancies is easier if ties exist to those already in the industry. As the director of one independent production company put it, she would be much more likely to take on someone as a runner if their parents worked in the industry as they would be "more likely to know what was expected of them" (production company A).

It is commonplace for those working in the industry in London to talk about the importance of 'the buzz' (Storper and Venables, 2004). This intense interaction is an important component of sense making in the industry. One aspect is access to sources of creative ideas. One head of production for a major terrestrial broadcaster remarked that this was a key advantage of being in London, as s/he put it: "It's like sitting under a waterfall." Another highly important aspect, stressed frequently in interviews, is the need to keep in touch with the latest opinion of what sort of work will be in high demand. Programme-production companies place considerable importance on keeping in regular contact with commissioning editors to stay abreast of what these critical gatekeepers feel will be attractive to audiences. Commissioning editors in their turn rely heavily on conversations with industry insiders, as well as metrics like viewing figures, in formulating their views on what types of programme will prove successful. Demand is thus clearly socially constructed. In respect of access to gatekeepers, personal relationships are important. However, there was general accord among interviewees that personal relationships per se mean little in terms of actually securing a commission—which is seen as an unsentimental commercial decision. As two interviewees noted:

"We are located in London because most commissions originate in London"  
(independent production company B).

"Building market share is very difficult when there is lots of competition for attention and commissioners change jobs with such frequency in London, thus requiring fresh contacts" (independent production company C).

There has been a clear trend for the major broadcasters to focus their commissions on a select group of preferred independent production companies. This is understandable given the highly uncertain nature of producing successful programmes. Organisations seek to create stable relationships, characterised by trust and rich exchange of information (Gulati and Gargiulo, 1999). As one company suggested:

"For those companies who have been successful, the way out has been to secure several commissions to run concurrently and—the particularly successful companies like RDF—to get cosy with a commissioning editor who'll keep feeding you commission after commission because you produce the kind of programme they like" (independent production company D).

Labour-market pooling is highly important. A pool of talented labour with relevant skills stands as the preminent local factor helping firms innovate, according to the questionnaire survey. There is clearly a dynamic at work where the reputation of London attracts talent which makes the centre a more desirable place to do business, and so on. The resulting size of the London industry allows a deep division of labour. As two interviewees reported:

“In some ways the heavy concentration of UK TV business in London is beneficial—it creates a large pool of available workers” (independent production company E).

“London is a global city. The flow of international talent and expertise is probably one of its greatest advantages” (music production company for film and TV).

Production companies are significantly more likely than other types of firm to rate the ability to source bespoke services as an important benefit of being located in London [ $\chi^2(8) = 13.91$ ,  $p = 0.08$ ], as well as the ability to assemble multidisciplinary teams quickly [ $\chi^2(12) = 19.31$ ,  $p = 0.08$ ]. This is consistent with the fact that they typically have very small permanent staffs and ‘crew up’ when programme commissions get the green light, and so rely heavily on subcontracting relationships:

“For the first [several years] of its existence [the company] operated from the provinces... but we never managed to find good post-production facilities outside London and eventually wearied of the travel. For the past [several years] we have been based in London” (independent production company F).

Firms in Soho are significantly more likely to rate proximity to their leading competitors to be a highly important benefit of their location [ $\chi^2(4) = 13.52$ ,  $p = 0.01$ ], as they also do for the benefit of competitive rivalry as a spur [ $\chi^2(4) = 14.55$ ,  $p = 0.01$ ] and ability to benchmark against competitors [ $\chi^2(4) = 14.41$ ,  $p = 0.01$ ]. The chief engineer at one leading postproduction company explained that competitors were closely monitored in order to identify any possible competitive advantage they might hold. This reinforces how imminent the reality of market competition is.

Having an address perceived as credible is highly important to certain companies. Firms located in central London are significantly more likely to view this as an important benefit of their location [ $\chi^2(4) = 13.76$ ,  $p = 0.01$ ] and the relationship is highly significant for firms based in Soho [ $\chi^2(4) = 23.40$ ,  $p = 0.000$ ]. Information economics provides an explanatory insight. Production and postproduction are both highly creative activities, where a lot of money and reputation is often at stake and where successful outcomes are unpredictable. Just as a Harley Street address would be taken by many as a reliable signal of the quality of a physician sited there, so a Soho address is an important signal of the quality of a firm. This does not mean that high-quality firms are not to be found elsewhere. Rather, a firm that could not deliver consistently high quality would be unable to cover the high costs of a Soho location and so would not survive. It is worth noting in this respect that those firms which rate premises costs more highly as a disadvantage of a London location were more likely to be located *outside* Soho, in lower cost areas.

Broadcasting in London thus relies on the socialisation of workers, reputation systems which certify individuals and companies, norms of trust and reciprocity and common cognitive frames of reference, and language. What is perceived to be the true state of demand is also culturally inflected. *Equally*, this culture and these institutions exist, in part, as solutions to fundamental economic problems which relate to the need to coordinate disparate skills and resources efficiently and flexibly in a project-based industry, where time and money are typically tight constraints. Strong competition to survive exists as an imminent selection mechanism for the majority of firms. Institutions thus promote efficient exchange under conditions of asymmetric information, as conventional economics would predict.

4.2 Spin-offs

Within the independent production sector, a relatively small number of firms dominate the hours produced, including Celador, Endemol, RDF, Talkback Thames, The Television Corporation, and Tiger Aspect. Many are spin-offs either from the BBC or from one of the (former) Independent Television Network broadcasters. In post-production, spin-offs tend to enjoy a less cordial relationship with their parent, since they are more likely to set up in competition with them, rather than provide a service to them as production companies do for broadcasters. One reason for this, attested to by one of the interviewees who had spun out of one of Soho's largest postproduction houses, is that when key staff leave they tend to take clients who are loyal to them. This is not so starkly the case in the programme-production sector as spin-out and parent are seldom in direct competition. It also betokens the importance of personal reputation as a foundation for trust, supporting exchange. The most prominent example of such an 'iconic' individual is Vince Narduzzo, Soho's leading telecine operator, whose faithful clients have followed him around his several moves among Soho's postproduction companies and his serial foundation of new enterprises. The broad similarity of the role of spin-offs in agglomeration dynamism to that in Silicon Valley (Saxenian, 1994) is evident in postproduction and underscored by the information shown in table 1. Particularly interesting is the influence of the Moving Picture Company which, partly via its Rushes spin-off, has been ancestor to many successful companies.

**Table 1.** Spin-offs from major postproduction houses (source: compiled by the authors from trade publications).

<i>Moving Picture Company</i> Rushes 1977 Computer FX 1981	<i>Tvi</i> Independent Post-Production Company 1992 Martyrs 1995 Two Plus One 1998
<i>Rushes</i> The Mill 1989 Dean Street Post 1992 Space Productions 1993 Big Finish/Smoke & Mirrors 1995 First Art 1997 Red 2001	<i>Molinare</i> AV Dept 1987 Revolution 1989 Steve Turner Associates 1990 Electronic Images June 1993 The Farm 1998
<i>The Mill</i> Big Finish/Smoke & Mirrors 1995 Lola 2000 Finish 2003	

Spin-offs in the manufacturing sector are of two broad types. Firstly, those resulting from the BBC's scaling down of its engineering departments from the mid-1980s. This process continued through the 1990s, when the ITV companies also downsized their engineering cadres. Secondly, other spin-offs have arisen in order to take advantage of technological opportunity—albeit sometimes pushed by the threat of redundancy. The agglomeration also saw growth over this period from the arrival of a number of subsidiaries of overseas companies, many from the United States. One interview respondent (commercial director for a large overseas equipment multinational enterprise), who had worked both in the Thames Valley agglomeration and in Silicon Valley, remarked that there was a strong similarity in the extent to which spin-offs arose to exploit innovation, albeit that the Thames Valley agglomeration is on a much smaller scale.

### 4.3 Innovation

The innovation system in postproduction and equipment supply illustrates well the interplay both of dense local linkages and of international linkages, mediated through communities of practice. These two sectors are considered together due to the strong interdependencies between them. Britain is the preferred manufacturing base for many broadcast-equipment manufacturers, not only because of the equipment agglomeration, but also because of the standing of the British broadcasting industry and, above all, the postproduction agglomeration in Soho, which is regarded as being at the leading edge of creative and technological innovation.

Social capital is highly important in this innovation system, and is exemplified by the role of engineers. Engineers have two important affiliations: one is to their profession; the other is to the agglomeration. Both of these transcend narrow company loyalties and lead to cooperative behaviours which help sustain the agglomeration and drive its creative and innovative dynamism. As one engineer in a postproduction company put it:

“We don’t tell the bosses that we help engineers in other companies. It’s competition at the front door, cooperation at the back door.”

Engineers within postproduction play a pivotal role. They have insight into the creative side of the business, therefore they can articulate what the customer is really after in a way which would be much more difficult to accomplish if engineers from the manufacturing companies were to attempt to talk directly to creative people. Thus, these engineers play an important boundary-spanning role.

The major equipment manufacturers make considerable efforts to keep abreast of what is happening in the market. Engineers from the post-production houses are able to visit the R&D labs of the manufacturing companies, which is beneficial for both sides. Firstly, the postproduction engineers are able to see what developments are in progress before products are formally unveiled at trade exhibitions. Secondly, the manufacturing engineers are able to get feedback on their developments, without waiting for a potentially costly flop in the market. Thirdly, such visits provide a forum for candid discussion which can involve discussing problems which the manufacturing engineers are working on but cannot solve. Occasionally this may lead to the post-production engineers going to help out the R&D team in the manufacturing firm on an informal basis.

The way in which the local node interacts with the wider global network can be illustrated by a sketch of an actual innovation, discussed in general terms for reasons of confidentiality. An R&D facility in Britain was pursuing a particular line of research and discussing required development with postproduction companies in Soho. In this dialogue a need was established for which the facility had no ready solution. This was fed back to the corporate HQ (overseas) which then relayed the problem to all its other R&D facilities around the world. These facilities then contributed something to the solution. Ultimately, it was the British lab which pooled knowledge and worked up the prototype, which they then referred back to the engineering department at corporate HQ to translate the design into production. This provides an example of how intensive knowledge flows within the node interacted with extensive knowledge flows within a global network, a network of practice, to produce an innovation.

### 5 Conclusions

Table 2 summarises the relative contributions of both cultural and economic literatures to understanding the phenomenon of agglomeration. The pattern revealed suggests that a more complete understanding will be arrived at by giving voice to the insights of both.

**Table 2.** Comparative insights from cultural and economic approaches.

Issue	Cultural insights	Economic insights
Why is colocation important?	Proximity important for establishing common meanings, values, and patterns of behaviour; also personal relationships facilitating trust and sharing of tacit information.	Classic Marshallian externalities.
How and why do particular institutions arise and reproduce themselves?	Can articulate how and why particular institutions arise and reproduce themselves to solve a given economic problem and also contribute insights regarding noneconomic reasons why institutions may arise.	Can articulate the essential nature of the economic problem which particular institutions may solve.
Who wins the economic contest?	Relatively silent at the level of individual actors, but may articulate why particular places are relatively advantaged in particular activities.	Resource-based view and evolutionary economics tackle head-on the central question of why some firms are more successful than others.
Where does power come from?	Social relations.	Control of economic resources.

Evidence from the British TV industry is highly consistent with the cultural turn. The particularities of the local culture and its embedding within networks at a wider social scale produce and reproduce place-based distinctive cultural products and advantages which are imperfectly imitable, though not impregnable to competition from other places (Scott, 2004b). Knowledge transfer and information sharing, as well as the formation of social capital, have been shown to be powerfully centred on the highly dense heart of the London agglomeration in Soho. Trust, interpersonal relationships, and face-to-face contact are of central importance. The labour market is highly culturally inflected, processes of socialisation and rites of passage being essential ingredients. Peer regard, partly based on industry ‘gossip’, is a lynchpin of smooth labour-market functioning in a fuzzy, fast-moving environment (Pratt, 2006). Socialisation of labour is important in a decentralised system of production (Becker, 1974). The way in which demand is perceived is constituted by dense social relations and embedded judgments of quality are integral (Pratt, 2008). Powerful gatekeepers in the form of commissioning editors and channel controllers police which ideas are worthy of commercial exploitation. The motivations of industry participants are not necessarily economic. Art for art’s sake is of abiding importance (Caves, 2000). The importance of these cultural factors may be particularly evident in cultural industries; however, this distinguishes these industries in degree rather in kind from conventional manufacturing around which theories of agglomeration were traditionally built.

From an economic perspective, the success of London rests in part on the division of labour and classic Marshallian external economies. Agglomeration rests in no small part on economies of scale and scope in broadcasting, which lead to spatial concentration. Secondly, labour-market pooling and labour migration are highly important. The importance of spin-offs is in line with approaches based in evolutionary economics.

This is a highly commercial sector where, for example, in the UK since deregulation in the early 1990s many independent production firms have come and gone. These firms both produce and reflect culture, yet it is inescapable that they are also engaged in an economic contest for survival. Over the past thirty years or so many have failed and many of those which have survived have remained small, yet there has been a small number which have prospered disproportionately to the rest. The leading authority of film and television agglomeration, Scott, claims that “The whole structure of agglomerated activity generates massive external economies of scale and scope, providing a constant flow of competitive advantages to *each individual firm*” (2004b, page 38, italics added). This is palpably not the case: the potential for competitive advantage may be present, but that advantage is realised to a disproportionate degree by just a small number of firms. This is a question on which the cultural turn literature has been relatively silent. The process of competition within clusters is also an important element of their dynamism and deserves closer scrutiny (Christophers, 2009). The imminence of these competitive pressures and the sharp focus on commercial objectives which they bring are also neglected dimensions of the cultural turn (Sayer, 2001).

These insights offered by the British television broadcasting industry have implications for the literature. Because *both* cultural factors and conventional economics shed light on the nature and dynamics of broadcasting agglomeration, an approach which seeks to balance these schools of thought, as advocated by Thrift (2000), appears warranted. Many geographers have been sceptical about interacting with economists and economists have, by and large, ignored the deep insights onto local context and culture produced by geographers (Duranton and Storper, 2006). In this paper we have argued that there is more still to come both for economists and for geographers from serious engagement. The critique offered by the cultural turn is important and relevant in some regards, yet in others is based on a prejudicial reading of economics. More could be achieved through serious engagement. This is not to gainsay the fact that geography and economics may be awkward bedfellows given their epistemological positions.<sup>(1)</sup> That said, one should not simplify and homogenise either discipline. There are considerable epistemological debates within economic geography (eg, Sunley, 2008); as indeed there are within economics, where heterodoxy and critical realism are alive and well (eg, Peacock, 2008). Debate within and between disciplines sharpens thinking, even if complete unity and accord is not a realistic goal. At a more macro level, the boundary between economics and sociology remains contested; however, in recent decades there has been at least a little optimism about how the insights of the two approaches might fruitfully be combined (Swedberg, 1990), eschewing the Parsonian divide between these domains (Parsons and Smelser, 1956).

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<sup>(1)</sup> We are grateful to an anonymous referee for reminding us of this.

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